

**COMMUNITY FOUNDATION
OF LORAIN COUNTY**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2022 and 2021



COMMUNITY FOUNDATION OF LORAIN COUNTY

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position	3
Consolidated statements of activities and changes in net assets	4-5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-18
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	19
SUPPLEMENTARY INFORMATION	
Consolidating statement of financial position - 2022	20
Consolidating statement of financial position - 2021	21
Consolidating statement of activities and changes in net assets - 2022	22
Consolidating statement of activities and changes in net assets - 2021	23



+ 1111 Superior Avenue, Suite 700, Cleveland, Ohio 44114

+ p 216.363.0100 | f 216.363.0500

+ www.maloneynovotny.com

Independent Auditors' Report

To the Board of Directors
Community Foundation of Lorain County
Elyria, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Community Foundation of Lorain County, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Lorain County as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Community Foundation of Lorain County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Lorain County's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of Lorain County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Lorain County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Meloney + Novotny LLC

Cleveland, Ohio
June 7, 2023

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 94,087	\$ 123,829
Investments	139,050,125	161,926,239
Program related investments	-	3,314
Assets held in trust by others	133,743	150,574
Other receivables	-	16,796
Contributions receivable	23,269	3,986
Prepaid expenses	88,443	62,231
Property and equipment - net	<u>704,078</u>	<u>725,035</u>
 Total assets	 <u>\$ 140,093,745</u>	 <u>\$ 163,012,004</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 164,893	\$ 36,014
Grants payable	1,411,813	633,054
Split-interest agreements	15,557	16,382
Agency fund liability	<u>17,853,674</u>	<u>20,829,062</u>
Total liabilities	19,445,937	21,514,512
 <u>NET ASSETS</u>		
Without donor restrictions	120,514,065	141,346,918
With donor restrictions	<u>133,743</u>	<u>150,574</u>
Total net assets	<u>120,647,808</u>	<u>141,497,492</u>
 Total liabilities and net assets	 <u>\$ 140,093,745</u>	 <u>\$ 163,012,004</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,133,217		\$ 2,133,217
Less: amounts received for agency funds	<u>(98,380)</u>		<u>(98,380)</u>
Net contributions	2,034,837		2,034,837
Investment loss - net of fees	(17,391,596)	\$ (16,831)	(17,408,427)
Less: investment loss on agency funds	<u>2,398,897</u>		<u>2,398,897</u>
Net investment income	(14,992,699)	(16,831)	(15,009,530)
Other income	<u>125,861</u>		<u>125,861</u>
Total support and revenue	(12,832,001)	(16,831)	(12,848,832)
EXPENSES			
Program services	7,465,169		7,465,169
Less: grants paid from agency funds	<u>(674,871)</u>		<u>(674,871)</u>
Net program services	6,790,298		6,790,298
General and administrative	729,443		729,443
Fundraising and development	<u>481,111</u>		<u>481,111</u>
Total expenses	<u>8,000,852</u>		<u>8,000,852</u>
CHANGE IN NET ASSETS	(20,832,853)	(16,831)	(20,849,684)
NET ASSETS – BEGINNING OF YEAR	<u>141,346,918</u>	<u>150,574</u>	<u>141,497,492</u>
NET ASSETS – END OF YEAR	<u>\$120,514,065</u>	<u>\$ 133,743</u>	<u>\$120,647,808</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 3,866,719		\$ 3,866,719
Less: amounts received for agency funds	(333,216)		(333,216)
Net contributions	3,533,503		3,533,503
Investment income - net of fees	18,812,162	\$ 29,070	18,841,232
Less: investment income on agency funds	(2,399,991)		(2,399,991)
Net investment income	16,412,171	29,070	16,441,241
Other income	130,174		130,174
Total support and revenue	20,075,848	29,070	20,104,918
EXPENSES			
Program services	7,576,945		7,576,945
Less: grants paid from agency funds	(740,299)		(740,299)
Net program services	6,836,646		6,836,646
General and administrative	664,236		664,236
Fundraising and development	429,709		429,709
Total expenses	7,930,591		7,930,591
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY	12,145,257	29,070	12,174,327
NON-OPERATING ACTIVITY			
Transfer to Huron County Community Foundation	(4,481,252)		(4,481,252)
Gain on debt forgiveness	148,306		148,306
Total Non-Operating Activity	(4,332,946)		(4,332,946)
CHANGE IN NET ASSETS	7,812,311	29,070	7,841,381
NET ASSETS – BEGINNING OF YEAR	133,534,607	121,504	133,656,111
NET ASSETS – END OF YEAR	<u>\$141,346,918</u>	<u>\$ 150,574</u>	<u>\$141,497,492</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Grants awarded	\$ 6,872,021			\$ 6,872,021
Salaries and related expenses	408,602	\$ 515,298	\$ 249,700	1,173,600
Professional fees	48,409	61,050	29,583	139,042
Communications and events			127,641	127,641
Employee activities	34,091	42,994	20,834	97,919
Equipment rental and maintenance	29,205	36,831	17,847	83,883
Occupancy	23,673	29,854	14,467	67,994
Supplies, postage and printing	10,198	12,861	6,232	29,291
Depreciation	7,994	10,082	4,885	22,961
Insurance	5,817	7,336	3,555	16,708
Consultant and special project	14,742			14,742
Board development	4,627	5,835	2,828	13,290
Miscellaneous	3,340	4,212	2,041	9,593
Website development and maintenance	2,450	3,090	1,498	7,038
	<u>7,465,169</u>	<u>729,443</u>	<u>481,111</u>	<u>8,675,723</u>
Grants paid from agency funds	<u>(674,871)</u>			<u>(674,871)</u>
	<u>\$ 6,790,298</u>	<u>\$ 729,443</u>	<u>\$ 481,111</u>	<u>\$ 8,000,852</u>
	<u>84.87%</u>	<u>9.12%</u>	<u>6.01%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services	General and Administrative	Fundraising and Development	Total
Grants awarded	\$ 6,969,951			\$ 6,969,951
Salaries and related expenses	443,667	\$ 493,985	\$ 244,404	1,182,056
Professional fees	26,604	29,622	14,656	70,882
Communications and events			100,978	100,978
Employee activities	31,961	35,586	17,606	85,153
Equipment rental and maintenance	31,535	35,111	17,372	84,018
Occupancy	26,087	29,046	14,370	69,503
Supplies, postage and printing	9,525	10,605	5,247	25,377
Depreciation	8,637	9,616	4,758	23,011
Insurance	5,518	6,143	3,040	14,701
Bad debt expense			2,558	2,558
Consultant and special project	14,890	4,981		19,871
Board development	3,592	3,999	1,979	9,570
Miscellaneous	2,956	3,290	1,627	7,873
Website development and maintenance	2,022	2,252	1,114	5,388
	<u>7,576,945</u>	<u>664,236</u>	<u>429,709</u>	<u>8,670,890</u>
Grants paid from agency funds	<u>(740,299)</u>			<u>(740,299)</u>
	<u>\$ 6,836,646</u>	<u>\$ 664,236</u>	<u>\$ 429,709</u>	<u>\$ 7,930,591</u>
	<u>86.20%</u>	<u>8.38%</u>	<u>5.42%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (20,849,684)	\$ 7,841,381
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	22,961	23,011
Gain on debt forgiveness	-	(148,306)
Donated securities	(13,069)	(564,774)
Net realized and unrealized losses (gains) on investments	19,019,702	(16,684,251)
Investment (losses) earnings on agency funds	(2,398,897)	2,399,991
Interest and dividends reinvested net of fees	(1,611,275)	(2,156,981)
Change in assets held in trust by others	16,831	(29,070)
Change in split-interest agreement	2,093	(10,567)
Changes in assets and liabilities:		
Contributions receivable	(19,283)	28,665
Prepaid expenses	(26,212)	5,889
Accounts payable and accrued expenses	128,879	(37,627)
Grants payable	778,759	396,977
Agency fund liability	(576,491)	(3,111,553)
Total adjustments	<u>15,323,998</u>	<u>(19,888,596)</u>
Net cash used in operating activities	(5,525,686)	(12,047,215)
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes receivable	16,796	98,157
Proceeds from sale of investments	57,895,904	134,467,655
Purchase of investments	(52,415,148)	(122,455,721)
Program related investments	3,314	9,844
Purchases of property and equipment	(2,004)	-
Net cash provided by investing activities	<u>5,498,862</u>	<u>12,119,935</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for split-interest agreements	<u>(2,918)</u>	<u>(2,918)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(29,742)	69,802
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>123,829</u>	<u>54,027</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 94,087</u>	<u>\$ 123,829</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF LORAIN COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. *Description of the Community Foundation* – The Community Foundation of Lorain County ("Community Foundation") is a public foundation established in 1980 with income from endowment funds contributed by individuals, families, businesses and nonprofit organizations. The Community Foundation is an open and inclusive anchor institution that works to improve the quality of life for those living and working in Lorain County, Ohio. It responds to the changing needs of the community by making grants to local nonprofit organizations and providing scholarships to benefit local students. The Community Foundation is committed to a culture of diversity, inclusion and equity to guide its values, actions and impact in Lorain County.
- B. *Basis of Consolidation* – The consolidated financial statements include the Community Foundation, Charitable Properties of Lorain County, LLC, Forever Farmland of Lorain County, LLC and Forever Farmland of Huron County, LLC. Charitable Properties of Lorain County, LLC was formed as a single member nonprofit limited liability company to increase the Community Foundation's capacity to evaluate, accept and manage gifts of real property. Forever Farmland of Lorain County, LLC and Forever Farmland of Huron County, LLC were formed to provide opportunities to receive and manage agricultural gifts. All accounts and transactions between the organizations have been eliminated in the consolidated financial statements. "Community Foundation" refers to the consolidated organizations. In 2021, Forever Farmland of Huron County, LLC was transferred to Huron County Community Foundation (see Note 11).
- C. *Cash and Cash Equivalents* – For the purposes of the consolidated statements of cash flows, the Community Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- Temporarily uninvested cash in investment accounts is considered an investment rather than a cash equivalent.
- At times during the year, the Community Foundation maintained funds on deposit at its banks in excess of FDIC insurance limits.
- D. *Investments* – Investments are recorded at fair value based on published market prices or net asset value. The difference between their cost and fair market value is recorded as an unrealized gain or loss in the consolidated statements of activities and changes in net assets. Specific identification is used to identify securities sold.
- E. *Investment Spending Policy* – The annual spending policy is based on a 12-quarter moving average market value of net assets, with a floor of 3.5% and a ceiling of 5.0%, taking into account both preservation of principal, as well as investment and custodial cost and fees. Payments in excess of annual spending policy are allowable expenditures only with special approval of the Board of Directors of the Community Foundation ("Board"). The amount that has been awarded and is available to be spent but not distributed is included in grants payable and amounts to \$1,411,813 and \$633,054 in 2022 and 2021, respectively, and is due within one year.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- F. *Fair Value of Financial Instruments* – The Community Foundation's investments have been categorized based upon the fair value hierarchy in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, which prioritizes the inputs to valuation techniques used to measure fair value of investment assets and liabilities into three levels:

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The carrying amounts reported in the consolidated statements of financial position for cash and equivalents, accounts receivable, notes receivable and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial assets.

- G. *Contributions Receivable* – The Community Foundation recognizes contributions when they are received. At year end, contributions that have been received may not have been deposited until after December 31. These amounts are recorded as receivables and amounted to \$23,269 and \$3,986 in 2022 and 2021, respectively. In management's opinion, contributions receivable as of December 31, 2022 and 2021 were collectible and no material uncollectible accounts existed.
- H. *Property and Equipment* – Property and equipment purchased by the Community Foundation are carried at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and capital expenditures of less than \$2,500 are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's activities.

	<u>2022</u>	<u>2021</u>
Land	\$ 238,250	\$ 238,250
Building	628,448	628,448
Building improvements	67,976	67,976
Equipment	61,884	71,915
	<u>996,558</u>	<u>1,006,589</u>
Less: accumulated depreciation	<u>(292,480)</u>	<u>(281,554)</u>
	<u>\$ 704,078</u>	<u>\$ 725,035</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

H. *Property and Equipment* (Continued)

The Community Foundation provides for depreciation of property and equipment generally using straight-line methods of depreciation over the following estimated useful lives of the assets:

<u>Class</u>	<u>Years</u>
Building	39
Building improvements	10
Equipment	3-5

- I. *Vacation and Personal Leave Pay* – Vacation and personal leave compensation is expensed when paid. Accrual of these benefits as earned would not have a material effect on the consolidated financial statements.
- J. *Advertising and Marketing Costs* – The Community Foundation participates in various advertising and marketing programs. All costs related to marketing and advertising the Community Foundation's services are expensed in the period incurred. Advertising costs charged to operations were \$25,688 and \$29,204 in 2022 and 2021, respectively.
- K. *Functional Expense Allocations* – Expenses are charged to functional areas based on specific identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expense, time spent by employees and square footage of space used for various programs.
- L. *Classification of Net Assets* – Contributions are classified as without donor restrictions and with donor restrictions based on donor specifications. Net assets without donor restrictions consist of net assets not subject to donor-imposed restrictions or the passage of time.

Net assets with donor restrictions can consist of items such as irrevocable charitable trusts, lead trusts and restricted contributions. Net assets with donor restrictions result from either donor-imposed restrictions on the use of the funds or timing differences between the receipt of funds and the incurrence of the related expenses. The Community Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Grants and contributions received with donor-imposed restrictions are recorded as without donor restrictions if the restrictions are met within the same period. This policy is also followed for investment income received with donor-imposed restrictions.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

L. Classification of Net Assets (Continued)

The Board, on the advice of legal counsel, has determined that the Community Foundation's net assets do not meet the definitions of endowment under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") because of the Community Foundation's right to exercise variance power over contributions. As a result of this ability, the Community Foundation does not have assets restricted in perpetuity.

- M. *Variance Power* – Variance power is the unilateral power to redirect the use of contributions to an entity or individual other than the specified beneficiary, if the Community Foundation's Board determines that circumstances have changed as to render the express desires of the donor unnecessary, impractical, incapable of fulfillment or inconsistent with the charitable needs of the community. The Community Foundation may, at any time, redirect the application of all or part of a gift, grant, devise or bequest to such other charitable uses or purposes which, in the Community Foundation's judgment, will most effectively accomplish the general mission of the Community Foundation.
- N. *Revenue Recognition* – Contributions and grants are recognized when awarded as without donor restrictions or with donor restrictions in accordance with donor specifications. Conditional promises to give - that is, those with a measurable performance barrier and a right of return - are not recognized until the conditions on which they depend on have been met.
- O. *Agency Funds* – Financial accounting standards are established for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of these assets or both to the donor or another entity that is specified by the donor. These standards specifically require that if a nonprofit organization establishes an agency fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Community Foundation refers to such funds as agency funds.

The Community Foundation maintains variance power and legal ownership of the agency funds and, as such, continues to report the funds as cash and investments of the Community Foundation. However, in accordance with financial accounting standards, a liability has been established equivalent to the value of the assets. Both the liability and the assets are measured at fair value. The amount in the consolidated statements of financial position at December 31 amount to \$17,853,674 and \$20,829,062 in 2022 and 2021, respectively. Contributions and investment activities are reported in the consolidated statements of activities and changes in net assets at the gross amounts collected and earned during the period with the amounts received for agency funds reported as separate line items.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

P. *Contributed Services* – The Community Foundation receives contributed services (general assistance, fundraising events, etc.) which cannot be objectively measured. These donations, while not recognized in the consolidated financial statements, provide valuable resources to the Community Foundation.

Q. *Income Tax Status* – The Community Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code") and operates as a public charity. The Community Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and, therefore, qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Community Foundation is required to operate in conformity with the Code to maintain its tax exempt status.

Charitable Properties of Lorain County, LLC and Forever Farmland of Lorain County, LLC are separately organized as single member nonprofit limited liability companies solely owned by the Community Foundation.

R. *Accounting for Uncertainty in Income Taxes* – The Community Foundation adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The standard prescribes a recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements and provides guidance on derecognition of tax benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the accompanying consolidated financial statements.

S. *Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

T. *Subsequent Events* – The Community Foundation has evaluated subsequent events through June 7, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

The Community Foundation considers investment income without donor restrictions, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Community Foundation's fiscal year.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Liquidity and Availability (Continued)

The Community Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Community Foundation.

In 2022, the Community Foundation's Grants Committee (the "Committee") has met semi-annually to review and approve grant requests. Beginning in 2023, the Committee plans to meet three times per year to review and approve grant requests. Due to this timing, the Community Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the Committee, which typically represents approximately 50% of the expected annual grant cash needs.

Financial assets available for general expenditures within one year of the consolidated statements of financial position date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 94,087	\$ 123,829
Investments, net of agency funds	73,569,821	98,231,229
Program related investments	-	3,314
Other receivables	-	16,796
Contributions receivable, due within one year	<u>23,269</u>	<u>3,986</u>
Financial assets available to meet general expenditures within one year	<u>\$73,687,177</u>	<u>\$98,379,154</u>

Note 3. Investments

Following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – Cash and cash equivalents consist of investments in money market funds, short-term investments and other securities with quoted prices in active markets.

Equities/Fixed Income – These securities include mutual and exchange traded funds which are valued at quoted market prices in active markets for identical assets.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments (Continued)

Real Property – Real property holdings are based on appraised values using comparable sales.

Alternative Investments – Alternative investments include private equity, venture capital, private credit and special situations. The Community Foundation considers fair value to be an amount equal to the pro-rata interest in the net assets of each private partnership. Such values are generally net of management fees and performance incentive fees or allocations payable to fund managers or general partners per the operating agreements. Investments are valued by the funds either at the net asset value ("NAV") per unit or percentage of ownership of the fund.

The following table presents the financial instruments carried at fair value, on a recurring basis, as of December 31, 2022. Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,752,946			\$ 2,752,946
Equities:				
Domestic	38,016,059			38,016,059
International	12,679,084			12,679,084
Emerging/frontier	17,030,747			17,030,747
Fixed income	20,944,659			20,944,659
Real property			\$ 1,539,000	1,539,000
Total assets in the fair value hierarchy	<u>\$ 91,423,495</u>	<u>\$ -</u>	<u>\$ 1,539,000</u>	92,962,495
Investments measured at NAV				<u>46,087,630</u>
Investment at fair value				<u>\$ 139,050,125</u>

The following table presents the financial instruments carried at fair value, on a recurring basis, as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 12,097,699			\$ 12,097,699
Equities:				
Domestic	48,098,622			48,098,622
International	29,346,399			29,346,399
Emerging/frontier	7,318,365			7,318,365
Fixed income	22,199,206			22,199,206
Real property			\$ 1,539,000	1,539,000
Total assets in the fair value hierarchy	<u>\$ 119,060,291</u>	<u>\$ -</u>	<u>\$ 1,539,000</u>	120,599,291
Investments measured at NAV				<u>41,326,948</u>
Investment at fair value				<u>\$ 161,926,239</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments (Continued)

Investment income consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 2,312,319	\$ 2,871,029
Net unrealized and realized (losses) gains	(19,019,702)	16,684,251
Management fees	<u>(701,044)</u>	<u>(714,048)</u>
Total investment (loss) income	(17,408,427)	18,841,232
Less: losses (earnings) allocated to agency funds	<u>2,398,897</u>	<u>(2,399,991)</u>
Total net investment (loss) income	<u>\$ (15,009,530)</u>	<u>\$ 16,441,241</u>

The Community Foundation is required to disclose the nature and risks of the investments recorded at NAV. The following table summarizes the nature and risk of these investments as of December 31, 2022:

	Fair Value at December 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Emerging and frontier	\$ 2,453,112	\$ -	Quarterly	90 days
Alternative investments:				
Multi strategy	5,311,509	-	Monthly	90 days
Credit sensitive and reinsurance	9,077,819	1,859,005	Monthly/quarterly	90 days
Real assets	12,351,405	-	-	-
Private equity	12,085,789	3,626,694	-	-
Fixed income	<u>4,807,996</u>	<u>1,019,552</u>	Monthly	90 days
	<u>\$ 46,087,630</u>	<u>\$ 6,505,251</u>		

The following table summarizes the nature and risk of these investments as of December 31, 2021:

	Fair Value at December 31, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
International	\$ 3,784,676	\$ -	Monthly	90 days
Emerging and frontier	5,008,937	-	Quarterly	90 days
Alternative investments:				
Multi strategy	7,684,926	-	Monthly	90 days
Credit sensitive and reinsurance	5,930,287	2,513,475	Monthly/quarterly	90 days
Real assets	1,500,000	5,000,000	-	-
Private equity	10,249,489	5,690,960	-	-
Fixed income	<u>7,168,633</u>	<u>1,076,611</u>	Monthly	90 days
	<u>\$ 41,326,948</u>	<u>\$ 14,281,046</u>		

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments (Continued)

The fixed income strategies include an investment in two limited partnerships with one focused on U.S. below investment grade fixed income and the second limited partnership focused on investment grade bonds in the international markets.

Note 4. Assets Held in Trust by Others

The Community Foundation has received an unconditional promise to give in the form of an irrevocable charitable remainder trust. The Community Foundation is a 17.35% beneficiary of a remainder trust and will receive income from the trust through 2049. The assets are recorded at fair value, which is estimated to approximate the present value of the expected future distributions from the trust. The Community Foundation's portion of the fair market value of the trust was \$133,743 and \$150,574 in 2022 and 2021, respectively.

Note 5. Retirement Plan

The Community Foundation offers a 401(k) defined contribution salary deferral plan covering eligible employees. The Community Foundation matches 100% of the employees' contributions up to 3% of salary and 50% of the employees' contributions on the next 2% of salary. The Community Foundation contributions to this plan amounted to \$34,104 and \$34,239 in 2022 and 2021, respectively.

Note 6. Net Assets Without Donor Restrictions

The following table represents the purpose as originally restricted by the donor; however, the Community Foundation retained variance power:

	<u>2022</u>	<u>2021</u>
General purpose	\$ 16,127,475	\$ 18,057,737
Field of interest	41,484,157	50,630,583
Donor advised	16,208,287	19,015,620
Scholarship	17,326,225	20,029,394
Agency funds - donor portion	13,917,100	15,649,323
Designated	13,932,908	16,187,086
Administrative funds	<u>1,517,913</u>	<u>1,777,175</u>
	<u>\$ 120,514,065</u>	<u>\$ 141,346,918</u>

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
<u>Not subject to spending policy and appropriation:</u>		
Beneficial interest in charitable perpetual trusts	<u>\$ 133,743</u>	<u>\$ 150,574</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8. Conditional Grants

The Fund for Our Economic Future ("Fund") is a nonprofit tax exempt public charity under Section 501(c)(3) of the Code which works to improve the economic climate in Northeast Ohio by organizations with the potential to strengthen the region as a whole. Grants are awarded by the Fund based on extensive due diligence and approval by the members of the Board. The Community Foundation made a conditional commitment to the Fund for a total of \$150,000 over a three-year period beginning in 2022. In 2022, \$50,000 was paid to the Fund and \$100,000 remains conditional as of December 31, 2022.

Note 9. Program Related Investments

The Community Foundation made a program related loan to Manufacturing Advocacy and Growth Network ("MAGNET"), a nonprofit organization, for its PRISM program to drive regional economic growth from small-to-mid-sized manufacturers. The Community Foundation's total commitment to MAGNET over a three year period was \$100,000. Repayment terms extend to six years, with 2% interest only for the first three years. Principal payments of \$3,314 and \$9,844 were received in 2022 and 2021, respectively. The balance of this asset was collected in full in January 2022.

Note 10. Paycheck Protection Program Loan

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The CARES Act, among other things, created the Paycheck Protection Program ("PPP") to be administered by the U.S. Small Business Administration ("SBA"). In May 2020, the Community Foundation received approximately a \$148,000 unsecured loan under the PPP. The loan was fully forgiven by the SBA in 2021 and was recognized as a gain on debt forgiveness.

Note 11. Separation Agreement with Huron County Community Foundation

On June 30, 2021, the Huron County Community Foundation ("Huron") and the Community Foundation of Lorain County amicably agreed to separate based on a Separation and Release Agreement executed by both parties. Prior to this, both parties were operating under a Partnership Agreement wherein the Community Foundation housed the assets of the Huron funds and provided back-office support for its operations. In 2021, the Community Foundation transferred \$7,185,723 based on the balances of the funds at June 30, 2021. Funds transferred consisted of agency funds of \$2,704,471 and fund assets of \$4,481,252. All books and records for the Huron County Community Foundation funds were transferred to Huron. Fundholders, fund advisors and donors were notified that the Community Foundation would no longer provide access to information regarding their funds.



+ 1111 Superior Avenue, Suite 700, Cleveland, Ohio 44114

+ p 216.363.0100 | f 216.363.0500

+ www.maloneynovotny.com

Independent Auditors' Report on Supplementary Information

To the Board of Directors
Community Foundation of Lorain County
Elyria, Ohio

We have audited the consolidated financial statements of Community Foundation of Lorain County as of and for the years ended December 31, 2022 and 2021, and our report thereon dated June 7, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Maloney + Novotny LLC

Cleveland, Ohio
June 7, 2023

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022

	Community Foundation of Lorain County	Charitable Properties of Lorain County, LLC	Forever Farmland of Lorain County, LLC	Eliminations	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 64,543	\$ 74	\$ 29,470		\$ 94,087
Investments	137,511,125		1,539,000		139,050,125
Assets held in trust by others	133,743				133,743
Accounts receivable - related parties	92,275			\$ (92,275)	-
Contributions receivable	23,269				23,269
Prepaid expenses	88,443				88,443
Property and equipment - net	594,078	110,000			704,078
Total assets	<u>\$138,507,476</u>	<u>\$ 110,074</u>	<u>\$ 1,568,470</u>	<u>\$ (92,275)</u>	<u>\$140,093,745</u>
<u>LIABILITIES AND NET ASSETS</u>					
LIABILITIES					
Accounts payable and accrued expenses	\$ 164,893	\$ 92,275		\$ (92,275)	\$ 164,893
Grants payable	1,411,813				1,411,813
Split-interest agreements	15,557				15,557
Agency fund liability	17,853,674				17,853,674
Total liabilities	19,445,937	92,275		(92,275)	19,445,937
NET ASSETS					
Without donor restrictions	118,927,796	17,799	\$ 1,568,470		120,514,065
With donor restrictions	133,743				133,743
Total net assets	<u>119,061,539</u>	<u>17,799</u>	<u>1,568,470</u>		<u>120,647,808</u>
Total liabilities and net assets	<u>\$138,507,476</u>	<u>\$ 110,074</u>	<u>\$ 1,568,470</u>	<u>\$ (92,275)</u>	<u>\$140,093,745</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

	Community Foundation of Lorain County	Charitable Properties of Lorain County, LLC	Forever Farmland of Lorain County, LLC	Forever Farmland of Huron County, LLC	Eliminations	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 90,402	\$ 30	\$ 33,397			\$ 123,829
Investments	160,387,239		1,539,000			161,926,239
Program related investments	3,314					3,314
Assets held in trust by others	150,574					150,574
Accounts receivable - related parties	90,375				\$ (90,375)	-
Other receivables	16,796					16,796
Contributions receivable	3,986					3,986
Prepaid expenses	62,231					62,231
Property and equipment - net	615,035	110,000				725,035
Total assets	<u>\$161,419,952</u>	<u>\$ 110,030</u>	<u>\$ 1,572,397</u>	<u>\$ -</u>	<u>\$ (90,375)</u>	<u>\$163,012,004</u>
<u>LIABILITIES AND NET ASSETS</u>						
LIABILITIES						
Accounts payable and accrued expenses	\$ 36,014	\$ 90,375			\$ (90,375)	\$ 36,014
Grants payable	633,054					633,054
Split-interest agreements	16,382					16,382
Agency fund liability	20,829,062					20,829,062
Total liabilities	21,514,512	90,375			(90,375)	21,514,512
NET ASSETS						
Without donor restrictions	139,754,866	19,655	\$ 1,572,397			141,346,918
With donor restrictions	150,574					150,574
Total net assets	<u>139,905,440</u>	<u>19,655</u>	<u>1,572,397</u>			<u>141,497,492</u>
Total liabilities and net assets	<u>\$161,419,952</u>	<u>\$ 110,030</u>	<u>\$ 1,572,397</u>	<u>\$ -</u>	<u>\$ (90,375)</u>	<u>\$163,012,004</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2022

	Without Donor Restrictions				With Donor Restrictions	
	Community Foundation of Lorain County	Charitable Properties of Lorain County, LLC	Forever Farmland of Lorain County, LLC	Eliminations	Total Without Donor Restrictions	Community Foundation of Lorain County
						Total
SUPPORT AND REVENUE						
Contributions	\$ 2,153,217			\$ (20,000)	\$ 2,133,217	\$ 2,133,217
Less: amounts received for agency funds	(98,380)				(98,380)	(98,380)
Net contributions	2,054,837			(20,000)	2,034,837	2,034,837
Investment loss - net of fees	(17,391,596)				(17,391,596)	\$ (16,831)
Less: investment loss on agency funds	2,398,897				2,398,897	2,398,897
Net investment income	(14,992,699)				(14,992,699)	(16,831)
Other income	82,694		\$ 43,167		125,861	125,861
Total support and revenue	(12,855,168)		43,167	(20,000)	(12,832,001)	(16,831)
EXPENSES						
Program services	7,463,313	\$ 1,856	20,000	(20,000)	7,465,169	7,465,169
Less: grants paid from agency funds	(674,871)				(674,871)	(674,871)
Net program services	6,788,442	1,856	20,000	(20,000)	6,790,298	6,790,298
General and administrative	702,349		27,094		729,443	729,443
Fundraising and development	481,111				481,111	481,111
Total expenses	7,971,902	1,856	47,094	(20,000)	8,000,852	8,000,852
CHANGE IN NET ASSETS	(20,827,070)	(1,856)	(3,927)	-	(20,832,853)	(16,831)
NET ASSETS – BEGINNING OF YEAR	139,754,866	19,655	1,572,397		141,346,918	150,574
NET ASSETS – END OF YEAR	<u>\$ 118,927,796</u>	<u>\$ 17,799</u>	<u>\$ 1,568,470</u>	<u>\$ -</u>	<u>\$ 120,514,065</u>	<u>\$ 133,743</u>
						<u>\$ 120,647,808</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2021

	Without Donor Restrictions					With Donor Restrictions	
	Community Foundation of Lorain County	Charitable Properties of Lorain County, LLC	Forever Farmland of Lorain County, LLC	Forever Farmland of Huron County, LLC	Eliminations	Total Without Donor Restrictions	Community Foundation of Lorain County
							Total
SUPPORT AND REVENUE							
Contributions	\$ 3,896,719				\$ (30,000)	\$ 3,866,719	\$ 3,866,719
Less: amounts received for agency funds	(333,216)					(333,216)	(333,216)
Net contributions	3,563,503				(30,000)	3,533,503	3,533,503
Investment income - net of fees	18,812,162					18,812,162	\$ 29,070
Less: investment income on agency funds	(2,399,991)					(2,399,991)	(2,399,991)
Net investment income	16,412,171					16,412,171	29,070
Other income	75,184		\$ 54,990			130,174	
Total support and revenue	20,050,858		54,990		(30,000)	20,075,848	29,070
EXPENSES							
Program services	7,575,020	\$ 1,925	30,000		(30,000)	7,576,945	7,576,945
Less: grants paid from agency funds	(738,741)			\$ (1,558)		(740,299)	(740,299)
Net program services	6,836,279	1,925	30,000	(1,558)	(30,000)	6,836,646	6,836,646
General and administrative	633,385		30,851			664,236	664,236
Fundraising and development	429,709					429,709	429,709
Total expenses	7,899,373	1,925	60,851	(1,558)	(30,000)	7,930,591	7,930,591
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY	12,151,485	(1,925)	(5,861)	1,558	-	12,145,257	29,070
NON-OPERATING ACTIVITY							
Transfer to Huron County Community Foundation	(4,481,252)					(4,481,252)	(4,481,252)
Gain on debt forgiveness	148,306					148,306	148,306
Total Non-Operating Activity	(4,332,946)	-	-	-	-	(4,332,946)	-
CHANGE IN NET ASSETS	7,818,539	(1,925)	(5,861)	1,558	-	7,812,311	29,070
NET ASSETS – BEGINNING OF YEAR	131,936,327	21,580	1,578,258	(1,558)		133,534,607	121,504
NET ASSETS – END OF YEAR	<u>\$139,754,866</u>	<u>\$ 19,655</u>	<u>\$ 1,572,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$141,346,918</u>	<u>\$ 150,574</u>